

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2021 First Round**

**June 16, 2021**

The Emerald, located at 27th Street West & West Avenue K12 in Lancaster, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$7,221,045 in total state tax credits to finance the new construction of 71 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by LA Family Housing and will be located in Senate District 21 and Assembly District 36.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the NPLH program of HCD.

**Project Number** CA-21-027

**Project Name** The Emerald  
**Site Address:** 27th Street West & West Avenue K12  
Lancaster, CA 93536 County: Los Angeles  
**Census Tract:** 9010.110

| <b>Tax Credit Amounts</b> | <b>Federal/Annual</b> | <b>State/Total *</b> |
|---------------------------|-----------------------|----------------------|
| Requested:                | \$2,500,000           | \$7,221,045          |
| Recommended:              | \$2,500,000           | \$7,221,045          |

\* The applicant made an election to sell (Certificate) all or any portion of the state credits.

**Applicant Information**

**Applicant:** The Emerald 2020, L.P.  
**Contact:** Stephanie Klasky Gamer  
**Address:** 7843 Lankershim Boulevard  
North Hollywood, CA 91605  
**Phone:** 818-430-5720  
**Email:** emendez@lafh.org

**General Partner(s) / Principal Owner(s):** The Emerald 2020 GP, LLC  
LA Family Housing  
**General Partner Type:** Nonprofit  
**Developer:** LA Family Housing  
**Investor/Consultant:** California Housing Partnership  
**Management Agent(s):** John Stewart Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 8  
 Total # of Units: 72  
 No. & % of Tax Credit Units: 71 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HUD Section 8 Project-based Vouchers (35 Units - 50%)

**Information**

Set-Aside: Special Needs  
 Housing Type: Special Needs  
 Type of Special Needs: Homeless/Formerly Homeless & Persons with mental disabilities  
 Average Targeted Affordability of Special Needs/SRO Project Units: 37.32%  
 % of Special Need Units: 35 units 49.00%  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: Sarah Gullikson

**55-Year Use / Affordability**

| <u>Aggregate Targeting Number of Units</u> | <u>Percentage of Affordable Units</u> |
|--|---------------------------------------|
| At or Below 30% AMI: 35                    | 45%                                   |

**Unit Mix**

|                       |
|-----------------------|
| 6 1-Bedroom Units     |
| 44 2-Bedroom Units    |
| 22 3-BedroomUnits     |
| <u>72 Total Units</u> |

| <u>Unit Type &amp; Number</u> | <u>2020 Rents Targeted % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|--|--|
| 6 1 Bedroom                   | 30%  | \$633                                      |
| 21 2 Bedrooms                 | 30%  | \$760                                      |
| 8 3 Bedrooms                  | 30%  | \$878                                      |
| 5 2 Bedrooms                  | 30%  | \$760                                      |
| 5 3 Bedrooms                  | 30%  | \$878                                      |
| 17 2 Bedrooms                 | 50%  | \$1,267                                    |
| 9 3 Bedrooms                  | 50%  | \$1,464                                    |
| 1 2 Bedrooms                  | Manager's Unit                                     | \$0  |

**Project Cost Summary at Application**

|                                  |                     |
|----------------------------------|---------------------|
| Land and Acquisition             | \$2,856,763         |
| Construction Costs               | \$28,918,660        |
| Rehabilitation Costs             | \$0                 |
| Construction Contingency         | \$3,396,434         |
| Relocation                       | \$0                 |
| Architectural/Engineering        | \$907,900           |
| Const. Interest, Perm. Financing | \$2,871,081         |
| Legal Fees                       | \$719,373           |
| Reserves                         | \$1,148,484         |
| Other Costs                      | \$2,048,738         |
| Developer Fee                    | \$2,200,000         |
| Commercial Costs                 | \$0                 |
| <b>Total</b>                     | <b>\$45,067,433</b> |

**Residential**

|                                    |           |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$355     |
| Per Unit Cost:                     | \$625,937 |
| True Cash Per Unit Cost*:          | \$625,937 |

**Construction Financing**

| Source                          | Amount       |
|---------------------------------|--------------|
| Bank of America                 | \$29,987,346 |
| LACDA - NPLH                    | \$5,000,000  |
| LACDA - AHTF                    | \$5,000,000  |
| Costs Deferred Until Conversion | \$2,412,284  |
| Tax Credit Equity               | \$2,667,803  |

**Permanent Financing**

| Source            | Amount              |
|-------------------|---------------------|
| CCRC              | \$7,178,000         |
| LACDA - NPLH      | \$5,000,000         |
| LACDA - AHTF      | \$5,000,000         |
| Tax Credit Equity | \$27,889,433        |
| <b>TOTAL</b>      | <b>\$45,067,433</b> |

\*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

|  |                                |
|--|--------------------------------|
| Requested Eligible Basis:                                  | \$27,777,781                   |
| 130% High Cost Adjustment:                                 | No                             |
| Applicable Fraction:                                       | 100.00%                        |
| Qualified Basis:   | \$27,777,781                   |
| Applicable Rate:   | 9.00%                          |
| Total Maximum Annual Federal Credit:                       | \$2,500,000                    |
| Total State Credit:  | \$7,221,045                    |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$2,200,000                    |
| Investor/Consultant:                                       | California Housing Partnership |
| Federal Tax Credit Factor:                                 | \$0.88450                      |
| State Tax Credit Factor:                                   | \$0.80000                      |

The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Tie-Breaker Information**

|        |                      |
|--------|----------------------|
| First: | <b>Special Needs</b> |
| Final: | <b>53.990%</b>       |

**Significant Information / Additional Conditions**

Staff noted a per unit cost of \$625,937. The factors affecting this cost include City of Lancaster-required offsite improvements, LEED energy efficiency standards, and the project paying prevailing wage.

The proposed rent does not include a utility allowance on the special needs units. The owner will pay for the utilities.

This project included an annual increase in monitoring fees that was not in conformation with LACDA program requirements for NPLH funds. When staff removed this increase, the project's pro forma shows cash flow after debt service exceeding limits established by TCAC Regulations. Pursuant to TCAC Regulations 10327(g), the overage of cash flow is within the \$25,000 limit allowed by Committee. The applicant must correct the cash flow overage in the next updated TCAC application required by TCAC, and all subsequent submissions to TCAC, including the placed-in-service submission for the issuance of the IRS 8609 forms.

**Local Reviewing Agency**

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

| <b>Points System</b>   | <b>Max. Possible Points</b> | <b>Requested Points</b> | <b>Points Awarded</b> |
|--|-----------------------------|-------------------------|-----------------------|
| <b>Owner / Management Characteristics</b>                                    | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| General Partner Experience   | 7                           | 7                       | 7                     |
| Management Experience  | 3                           | 3                       | 3                     |
| <b>Housing Needs</b>   | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| <b>Site Amenities</b>  | <b>15</b>                   | <b>15</b>               | <b>15</b>             |
| Within ¼ mile of transit station or public bus stop                          | 4                           | 4                       | 4                     |
| Within ¾ mile of public park or community center open to general public      | 2                           | 2                       | 2                     |
| Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf      | 5                           | 5                       | 5                     |
| Within ¾ mile of a public elementary school                                  | 2                           | 2                       | 2                     |
| Within ½ mile of a pharmacy  | 2                           | 2                       | 2                     |
| <b>Service Amenities</b>   | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| <b>LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES</b>                           |                             |                         |                       |
| Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms                  | 5                           | 5                       | 5                     |
| Other Services Specialist, minimum ratio of 1 FTE to 600 bedrooms            | 5                           | 5                       | 5                     |
| <b>SPECIAL NEEDS HOUSING TYPE</b>  |                             |                         |                       |
| Case Manager, minimum ratio of 1 FTE to 100 bedrooms                         | 5                           | 5                       | 5                     |
| Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms | 5                           | 5                       | 5                     |
| <b>Lowest Income</b>   | <b>52</b>                   | <b>52</b>               | <b>52</b>             |
| Basic Targeting  | 50                          | 50                      | 50                    |
| Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less        | 2                           | 2                       | 2                     |
| <b>Readiness to Proceed</b>  | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| <b>Miscellaneous Federal and State Policies</b>                              | <b>2</b>                    | <b>2</b>                | <b>2</b>              |
| Smoke Free Residence   | 2                           | 2                       | 2                     |
| <b>Total Points</b>  | <b>109</b>                  | <b>109</b>              | <b>109</b>            |

**Please Note:** If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

**DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**